

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY JIDDA IMMEDIATE

C O N F I D E N T I A L STATE 236864

E.O. 11652: GDS

TAGS: EAID, BEXP, SA, US

SUBJECT: TECHNICAL COOPERATION AGREEMENT; INTERIM FUNDING
ARRANGEMENTS

REF: JIDDA 5868, JIDDA 5277, STATE 95426

1. EMBASSY EFFORTS TO EXPEDITE SAG REVIEW OF DRAFT TECHNICAL COOPERATION AGREEMENT (TCA) ARE APPRECIATED. WE HOPE TO RECEIVE SAG COUNCIL OF MINISTERS VIEWS ON PROPOSED AGREEMENT SOONEST. PLEASE CONVEY TO DR. SOLAIM OUR THANKS FOR HIS HELP IN THIS REGARD, OUR SATISFACTION THAT MINISTER ABA AL-KHAYL HAS APPROVED DRAFT, AND OUR INTEREST IN ARRIVING AT A MUTUALLY SATISFACTORY AGREEMENT PRIOR TO DECEMBER

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ING AT A MUTUALLY SATISFACTORY AGREEMENT PRIOR TO DECEMBER

JOINT COMMISSION MEETING.

2. PARAGRAPHS 4 AND 5 CONTAIN A PROPOSAL FOR AN INTERIM FUNDING ARRANGEMENT. USG AGENCIES ARE WRESTLING WITH SEVERAL ASPECTS OF THE PROPOSAL:

A. AS A MATTER OF LAW, THE USG AGENCIES MUST BE RE-IMBURSED FOR ALL THEIR COSTS, INCLUDING ADMINISTRATIVE AND SUPPORT COSTS ARISING FROM THE TECHNICAL COOPERATION EFFORT.

B. AGRICULTURE IS HESITANT TO INCUR FURTHER COSTS UNTIL FIRM AGREEMENT HAS BEEN REACHED THAT THE SAG WILL

REIMBURSE ALL COSTS INCURRED. FOR THE LONGER TERM, IT IS UNABLE TO PROVIDE ANY ASSISTANCE UNLESS IT IS FULLY RE-IMBURSED. THE DEPARTMENT OF LABOR HAS REFUSED TO UNDERTAKE ANY ACTIVITIES ON BEHALF OF THE TECHNICAL COOPERATION EFFORT UNTIL ADVANCE PAYMENTS ARE RECEIVED. THUS WE PROPOSE TO REQUEST AN ADVANCE DEPOSIT OF \$100,000 TO AN INTERIM TRUST ACCOUNT TO HELP COVER COSTS BEING INCURRED BY THE USG AGENCIES IN IMPLEMENTING THE PROGRAM OF TECHNICAL COOPERATION.

C. USG AGENCIES HAVE NOT WORKED OUT AMONG THEMSELVES AGREED FORMULA FOR ASSESSMENT OF COST OF PERMANENT AGENCY STAFF MAN-HOURS TO BE CHARGED TO SAUDIS. THIS IS THE MAJOR ELEMENT IN THE "ADMINISTRATIVE AND SUPPORT" COST CONCEPT REFERRED TO ABOVE. WE HOPE TO BE ABLE TO REACH AGREEMENT PRIOR TO SIGNATURE OF TCA, AND TO PROVIDE YOU WITH THE NECESSARY DATA FOR PRESENTATION TO THE SAUDIS. YOU SHOULD IN THE MEANTIME MAKE IT CLEAR THAT THE INTERIM FUNDING ARRANGEMENT OUTLINED BELOW INCLUDES SOME STAFF REIMBURSEMENT.

3. WE RECOGNIZE THAT OUR REQUESTS THAT ALL TECHNICAL ASSISTANCE COSTS BE COVERED BY THE SAG AND THAT AN ADVANCE DEPOSIT BE MADE MAY RAISE QUESTIONS IN THE SAG. WE BELIEVE HOWEVER, THAT WE CAN PROCEED ON THIS BASIS CONSIDERING THE SAG'S WILLINGNESS TO GO ALONG WITH SIMILAR ARRANGEMENTS IN THE TECHNICAL COOPERATION AGREEMENT (EXCEPT FOR LUMP SUM ADVANCE DEPOSIT WHICH HAS NOT BEEN

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EXPLICITLY RAISED PREVIOUSLY). INTERIM FUNDING ARRANGEMENT PROPOSED BELOW CAN BE PRESENTED WITH WHATEVER DEGREE OF FORMALITY YOU THINK NECESSARY. IF UNDERSTANDING CAN BE REACHED ORALLY WITH SOLAIM, AND FUNDS SECURED, THAT WILL BE ADEQUATE AS LONG AS SOLAIM ACCEPTS CONCEPT OF FULL SAUDI FUNDING OF US COSTS, DIRECT AND INDIRECT. IF ON THE OTHER HAND, YOU AND SOLAIM CONCLUDE THAT FORMAL INSTRUMENT IS NECESSARY, THERE ALSO FOLLOWS TEXT OF PRO-

POSED EXCHANGE OF LETTERS.

4. THE PROPOSAL FOLLOWS:

A) AS SOON AS POSSIBLE, USG WILL PROVIDE DR. SOLAIM WITH A LIST OF EACH U.S. GOVERNMENT EXPERT OR GROUP OF EXPERTS WHICH THE JOINT WORKING GROUPS HAVE AGREED SHOULD VISIT SAUDI ARABIA PRIOR TO DECEMBER 10, 1974. FOR EACH EXPERT OR GROUP THE LIST WILL DETAIL THE NATURE, OBJECTIVE,

AND EXPECTED ACCOMPLISHMENTS OF THEIR VISIT AND AN ESTIMATE OF THE COST TO THE GOVERNMENT OF SAUDI ARABIA BROKEN DOWN INTO FOUR CATEGORIES: TRAVEL EXPENSES, SALARIES, PER DIEM, AND ADMINISTRATIVE EXPENSES.

B) USG AGENCIES ARE PRESENTLY INCURRING ADMINISTRATIVE EXPENSES PURSUANT TO THESE PROPOSED VISITS. IN ORDER TO CONTINUE AND SPEED THE NECESSARY PREPARATION, IT IS ESSENTIAL THAT SOME FUNDS BE MADE AVAILABLE AS SOON AS POSSIBLE TO COVER THESE EXPENSES. THEREFORE, WE PROPOSE THAT THE SAG MAKE AN ADVANCE DEPOSIT OF \$100,000 TO AN INTERIM TRUST ACCOUNT IN THE U.S. TREASURY TO COVER ADMINISTRATIVE EXPENSES BEING INCURRED BY THE AGENCIES IN IMPLEMENTING THE PROGRAMS OF ECONOMIC COOPERATION.

C) THE GOVERNMENT OF SAUDI ARABIA, AFTER APPROVING THE VISITS OF EACH EXPERT OR GROUP OF EXPERTS, WILL DEPOSIT DOLLARS INTO THE INTERIM TRUST ACCOUNT IN AN AMOUNT EQUAL TO THE COST ESTIMATE FOR THOSE EXPERTS MINUS AN ADJUSTMENT REFLECTING THE \$100,000 INITIAL DEPOSIT. THESE TRUST ACCOUNT FUNDS WILL BE DRAWN ON BY THE U.S. GOVERNMENT AGENCY EMPLOYING THE VISITING EXPERTS TO DEFRAY
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ITS COSTS.

D) AFTER A PROJECT HAS BEEN COMPLETED, THE USG WILL PROVIDE A DETAILED ACCOUNTING OF ITS ACTUAL TOTAL COST, BROKEN DOWN INTO TRAVEL EXPENSES, SALARIES, PER DIEM, AND ADMINISTRATIVE EXPENSES. IF THE FUNDS DEPOSITED FOR A PROJECT PROVE INSUFFICIENT TO COVER COSTS (FOR EXAMPLE, DUE TO A LENGTHENED STAY BY AN EXPERT), THE USG WOULD NOTIFY THE SAG OF THE SHORTFALL AND REQUEST THAT DOLLARS IN THAT AMOUNT BE DEPOSITED TO THE INTERIM ACCOUNT.

E) WHEN THE GOVERNMENT OF SAUDI ARABIA ESTABLISHES THE DOLLAR TRUST ACCOUNT PURSUANT TO THE TECHNICAL COOPERATION AGREEMENT ALL FUNDS IN THE INTERIM ACCOUNT WOULD BE TRANSFERRED TO IT.

5. IF EXCHANGE OF LETTERS APPEARS NECESSARY, WE SUGGEST FOLLOWING TEXT:

QUOTE WE ARE BOTH ANXIOUS TO MOVE AHEAD WITH A PROGRAM OF TECHNICAL COOPERATION PRIOR TO THE SIGNING OF THE TECHNICAL COOPERATION AGREEMENT. AS A RESULT OF THE RECENT WORKING GROUP MEETINGS, IT IS ENVISIONED THAT NUMEROUS U.S. GOVERNMENT EXPERTS WILL VISIT SAUDI ARABIA PRIOR TO EARLY DECEMBER. WE RECOGNIZE YOUR CONCERN

THAT THE OBJECTIVES, EXPECTED ACCOMPLISHMENTS, AND COSTS OF EACH OF THESE VISITS BE FIRMLY ESTABLISHED. AT THE SAME TIME THESE OBJECTIVES WOULD BE FACILITATED IF PAYMENT FOR THE ESTIMATED TRAVEL EXPENSES, SALARIES, PER DIEM, AND ADMINISTRATIVE AND SUPPORT EXPENSES OF THE VISITING EXPERTS COULD BE MADE IN ADVANCE. THEREFORE, I WOULD PROPOSE THAT WE PROCEED AS FOLLOWS:

AS SOON AS POSSIBLE, I WILL PROVIDE DR. SOLAIM WITH A LIST OF EACH U.S. GOVERNMENT EXPERT OR GROUP OF EXPERTS WHICH THE JOINT WORKING GROUPS HAVE AGREED SHOULD VISIT SAUDI ARABIA PRIOR TO DECEMBER 10, 1974. FOR EACH EXPERT OR GROUP THE LIST WILL DETAIL THE NATURE, OBJECTIVES, AND EXPECTED ACCOMPLISHMENTS OF THEIR VISIT AND AN ESTI-
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MATE OF THE COST TO THE GOVERNMENT OF SAUDI ARABIA BROKEN DOWN INTO FOUR CATEGORIES: TRAVEL EXPENSES, SALARIES, PER DIEM, AND ADMINISTRATIVE AND SUPPORT EXPENSES. IN ORDER TO FACILITATE PREPARATIONS FOR THESE VISITS BY THE VARIOUS UNITED STATES GOVERNMENT AGENCIES, I WOULD PROPOSE THAT THE GOVERNMENT OF SAUDI ARABIA AS SOON AS POSSIBLE WILL MAKE AN ADVANCE DEPOSIT OF \$100,000 TO AN INTERIM TRUST ACCOUNT IN THE U.S. TREASURY TO COVER ADMINISTRATIVE EXPENSES WHICH ARE ALREADY BEING INCURRED BY THE AGENCIES INITIATING PROGRAMS OF TECHNICAL COOPERATION.

I WOULD FURTHER PROPOSE THAT THE GOVERNMENT OF SAUDI ARABIA, AFTER APPROVING THE VISITS OF EACH EXPERT OR GROUP OF EXPERTS, WILL DEPOSIT INTO THE INTERIM TRUST ACCOUNT AN AMOUNT EQUAL TO THE COST ESTIMATE FOR THOSE EXPERTS MINUS AN ADJUSTMENT REFLECTING THE INITIAL \$100,000 DEPOSIT. THESE TRUST ACCOUNT FUNDS WILL BE DRAWN ON BY THE U.S. GOVERNMENT AGENCY EMPLOYING THE VISITING EXPERTS TO DEFRAY ITS COSTS.

AFTER A PROJECT HAS BEEN COMPLETED, THE USG WILL

PROVIDE A DETAILED ACCOUNTING OF ITS ACTUAL TOTAL COST, BROKEN DOWN INTO TRAVEL EXPENSES, SALARIES, PER DIEM, AND ADMINISTRATIVE EXPENSES. IF THE FUNDS DEPOSITED FOR A PROJECT PROVE INSUFFICIENT TO COVER COSTS (FOR EXAMPLE, DUE TO A LENGTHENED STAY BY AN EXPERT), THE USG WOULD NOTIFY THE SAG OF THE SHORTFALL AND REQUEST THAT DOLLARS IN THAT AMOUNT BE DEPOSITED TO THE INTERIM ACCOUNT.

IF THE FOREGOING IS ACCEPTABLE TO THE GOVERNMENT OF THE KINGDOM OF SAUDI ARABIA, I WOULD PROPOSE THAT THIS LETTER AND YOUR REPLY INDICATING CONCURRENCE SHALL CONSTITUTE AN AGREEMENT BETWEEN THE TWO GOVERNMENTS. END QUOTE.

6. FOR YOUR INFORMATION, WE ARE TRANSMITTING SEPARATELY THREE MESSAGES GIVING BACKGROUND, MISSION OBJECTIVES, AND LUMP SUM COST ESTIMATES FOR THE NEXT THREE EXPERTS WE PROPOSE SENDING TO SAUDI ARABIA. THESE ARE BROADLY ILLUSTRATIVE OF THE KIND OF PROPOSAL (PARA. 4 (A), ABOVE) WE PLAN TO MAKE TO SAG, BOTH UNDER THE INTERIM FUNDING ARRANGEMENT AND UNDER THE TCA, WHEN IT COMES INTO FORCE; FUTURE PROPOSALS WILL HOWEVER INCLUDE COST BREAKDOWN. INGERSOLL

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